BUDGET COMMITTEE
UNITED STATES SENATE

Judd Gregg, Ranking Member
http://budget.senate.gov/republican

Contact: Betsy Holahan (202)224-6011
Emma Post (202)224-2574

Budget Gimmicks And Pay-Go Avoidance, All Used to "Pay for" Farm Bill's Excessive Spending

A Budget Perspective

The U.S. Senate is currently considering the 2007 Farm Bill, which consists of the *Food and Energy Security Act* as reported by the Senate Agriculture Committee, combined with the *Heartland, Habitat, Harvest and Horticulture Act* as reported by the Senate Finance Committee. Despite a strong agricultural economy, spending under this bill totals $603 billion over ten years. **Even more egregious is the fact that the bill includes $34 billion in budget gimmicks and mechanisms to avoid pay-go budget discipline as well as $15 billion in tax increases,** all of which will have long-term budgetary consequences.

- **Overall Cost of Bill is High, Despite Strong Farm Economy**
  - **Total spending under this bill is $286 billion over five years, $603 billion over ten years, according to CBO.**
  - However, **the farm economy has never been stronger** – real net farm income is forecasted to increase from $51 billion in 2006 to $73 billion this year, an increase of $23 billion or 44%. In addition, farm debt-to-asset ratio is the lowest it has been in more than 45 years.

- **$34 Billion of Budget Gimmicks Used to Mask Spending, Avoid Pay-Go**
  - **Timing shifts for payments under commodity and crop insurance programs cause $10 billion to be pushed outside the ten-year budget window,** exempting this spending from Pay-Go rules. **This $10 billion is double the $5 billion of pay-go avoidance tactics contained in the House-passed farm bill.**
  - In addition, increases in certain programs are sun-setted after five years to make the bill look like it costs less and to make it easier to comply with Pay-Go rules, while other programs aren't subject to this type of cut-off. If these programmatic increases were continued for the full ten years, the cost of this bill would increase by $18 billion. **The largest of these hidden future costs is the increase to nutrition programs, which is only provided for five years – leaving out almost $9 billion in costs that would occur in the second five years.**
  - The bill also reflects **$2.4 billion in costs that were incurred "for free"** to cover extension of the Milk Income Loss Compensation (MILC) Program. A one-month extension was included in the FY07 supp for this sole purpose – increasing the program's costs (and therefore the baseline) by $2.4 billion over 10 years. No committee was charged with this increase – a giant loophole in budget enforcement.
  - Finally, **the bill shifts corporate estimated tax payments**, requiring corporations to make $4.3 billion in higher estimated tax payments in 2012 and correspondingly lower tax payments in 2013. This type of shift has become a popular "offset," being used in 3 conference reports passed by the Senate this year.

Bad Fiscal Policy

- **Permanent Disaster Aid** – Establishes a new $5.1 billion mandatory agriculture disaster assistance trust fund, a benefit not provided for any other industry or, for that matter, anyone else in America. According to the Environmental Working Group, most of this $5 billion would go to **Texas, North Dakota, Minnesota, South Dakota, Kansas, Iowa, and Georgia**, states where agriculture disaster "emergencies" occur year after year and who have received the majority of the $26 billion in ad hoc disaster aid paid out by the federal government over the past 21 years. Furthermore, federally subsidized crop insurance was significantly expanded in 2000, purportedly to help alleviate this need. Yet Congress continues to pass ad hoc disaster aid bills, the most recent example being $3.7 billion enacted as part of the FY07 supp.
- **Little Real Reform for Income Limits –** Permits **millionaires with adjusted gross incomes over $1 million per year** who derive the majority of their income from farming, ranching or forestry to receive commodity payments.
- **Program Expansion Through The Tax Code –** Includes an option to take a tax credit instead of a direct payment under the Conservation Reserve Program (CRP), which replaces $3 billion in outlays over 5 years with a revenue loss of $3.8 billion over 5 years. **Simply put, the federal government will be spending more to provide both these tax benefits and direct payments, expanding and complicating a program that was working fine before.**

Contains <u>New</u> Programs For Targeted Special Interests

- **Asparagus Payments** - $15 million for asparagus producers in only three states - California, Michigan, and Washington.
- **Chickpea and Camelina Subsidies** - Establishes new subsidies for large chickpeas and camelina (an experimental oilseed for biofuel production), which largely benefit only 4 states, Idaho, Washington, California, and Montana.
- **National Sheep and Goat Industry Improvement Center –** Provides $1 million for this center, the first time mandatory funds have been directed to this purpose.
- **Frivolous New Spending Earmarks –**
  - Creates a **Farm and Ranch Stress Assistance Network** to provide behavioral health programs to farmers
  - Establishes **artisanal cheese centers** to provide educational and technical assistance for the manufacture and marketing of these cheeses
  - Provides for **construction of a Chinese Garden** at the National Arboretum.

<u>Expands</u> Existing Programs for Targeted Special Interests

- **More Peanut Payments –** Under current law, peanut producers who also raise other crops are able to get two payment limits (i.e. annually, up to $360,000 for their peanut crop as well as up to **another** $360,000 for their other crops). The bill continues the practice of double payment limits. **No other crop receives the same treatment.**
- **More Subsidies for dried peas, lentils, small chickpeas** – The 2002 Farm Bill added these crops (aka "pulse crops") to the list of subsidized crops, but only made them eligible for one of three subsidy programs. This bill opens another subsidy (counter-cyclical payments) to pulse drops. **Almost 80% of pulse crops are grown in only 5 states, North Dakota, Michigan, Washington, Idaho, and Montana.**
- **Extends Spending Authorization To Preserve Barns –** Includes an authorization that extends authority **to preserve, rehabilitate or repair historic barns**.